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TAGS: [PGOV](#) [PREL](#) [PM](#)

SUBJECT: PANAMA: A VIEW FROM THE LEFT -- NO PLACE FOR
ANTI-AMERICANISM

Classified By: POLCOUNS Brian R. Naranjo. Reason: 1.4 (d)

Summary

11. (C) Recent meetings with prominent left wing leaders Juan Jovane and Olmedo Beluche focused on the threat to social stability posed by rising prices and the surprising small impact of the crisis on the political campaign. Jovane concluded that the increase in the price of staple goods was causing real hardship for people throughout the country, but that this would neither effect the elections, nor lead to serious street disturbances. Jovane asserted that PRD presidential nomination candidate Balbina Herrera would never "dare" run against the legacy of Martin Torrijos by running on a radical platform. He said the best hope to deal with the problem of hunger, would be a national school lunch program, modeled on the U.S. system. Beluche, who is trying to establish a Bolivarian party in Panama, said that preventing parties like his from registering ultimately weakened the democratic system in Panama, by allowing the traditional parties to become complacent. He noted that there were groups like SUNTRACS and FRENADESO that rejected elections and preferred to use street violence to push their agenda, and suggested they were getting Venezuelan support. While expressing his opposition to many American policies, including the invasion of Iraq and the support for free trade, Beluche noted that anti-Americanism was not an effective campaign slogan in Panama, and that no party could seriously expect to govern Panama without close ties to the U.S. END SUMMARY

Prices of Basic Goods Soaring

12. (C) University of Panama Professor of Economics and left-wing intellectual Juan Jovane told POLOFF and DAO analyst on July 22 that Panama's inflation understated the social crisis effecting Panama. He said the 9% official inflation rate (Note: The official inflation rate is 9.6%. End Note) hid critical details like a 50% increase in the price of corn oil, a 30% increase in the price of bread and a substantially higher increase in the price of milk. These increases in food staples, together with the rise in the price of gasoline, was putting a huge strain on poor and working class Panamanians, who were forced to make dramatic choices in their consumption. He blamed the price spike in these foods on monopolistic practices by the small number of food importers and supermarket owners (Note: Democratic Change (CD) presidential candidate Ricardo Martinelli, one of the two opposition candidates for President, owns Panama's largest supermarket chain Super99, though the retail food

business is dominated by independently owned "mini-super" corner grocery stores. End Note). He criticized the GOP for weak enforcement of already weak anti-monopoly laws, and compared the GOP unfavorably with the USG on this matter.

Malnutrition

13. (C) Jovane quoted a FAO study as stating that 23% of Panamanians were malnourished, principally in indigenous regions. He criticized the GOP's Compita program that sells subsidized food directly to the public, because the program was implemented in an erratic manner and inconsistently. For example, trucks of food showed up in different areas at irregular intervals. He compared it unfavorably with Venezuela's system of government-owned stores in poor neighborhoods. He thought the best solution, however, would be the establishment of a school lunch program, along the lines of what schools in the U.S. do, as this would attack the twin problems of malnutrition and scholastic failure.

14. (C) Asked about the possibility of increased domestic agricultural production, he said it was technically feasible, but that the farmers did not want to increase production if they were not guaranteed a high price for their crops, having learned the lessons of past boom and bust cycles. He said expansion of domestic agricultural production would require a government price support system, something that would represent a radical change from the GOP's recent policy to encourage the production of profitable agricultural goods for export, and not food staples for domestic consumption. Jovane said that a price support program was advisable not only for food security purposes, but to help the rural population to maintain itself on the land. He said that if there was not an active agricultural policy, the expansion of the Canal would lead to a massive wave of migration from the countryside into the cities, bringing with it massive social disruption. At the same time, Jovane noted that turning away from free trade on a large scale would be economic suicide for Panama and a silly political slogan.

Economic Risk Factors

15. (C) Jovane said that global economic changes also threatened Panama's macroeconomics stability. He noted that the relentless rise in oil prices had raised the price of shipping a container from Shanghai to the East Coast of the U.S. from \$3,000 in 2000 to \$8,000 now, and said it could be up to \$13,000 if oil hits \$200 a barrel. He said this could effect the revenues from the Canal if it led to changes in the global distribution system. He noted that Panama's economy had several sectors that generated a great deal of revenue -- the Canal, banking and the Colon Free Trade Zone -- but created relatively little employment. He described the construction sector as the key to social stability, as it provided many well paying jobs. He said he was perplexed by information he had found on the Banking Supervisor's website, indicating a 10% rise in mortgages, but a 30% rise in construction loans. He said he did not like any of the possible explanations, which ranged from foreign buyers, to money laundering.

Politics as Usual

16. (C) Jovane said he did not think the social crisis could have political repercussions. He said that while people are very worried about the price rises, they did not expect any solutions from politics or collective action. Rather, Panamanians sought individual answers to their problems. As proof he pointed to the protests the radical unions continually threatened, but never managed to organize due to lack of popular support. In discussing the Democratic Revolutionary Party (PRD) presidential candidate Balbina

Herrera, who is perceived by many as a populist leftist, Jovane said she could not take a radical attitude towards the crisis, because she had been a minister in the present government, along with most of the members of the left wing "Tendencia" faction in the PRD. He also said she would not "dare" to run against Martin Torrijos's legacy. This last point was echoed by University of Panama Sociology Professor Olmedo Beluche. Beluche, who was trying to organize a Bolivarian party, the Popular Alternative Partido (PAP), told POLCOUNS, POLOFF, DAO analyst that the PRD left had been completely compromised by their service in the Torrijos government, and could not run a credible radical campaign, and would not try. He said it was ironic that Martinelli, a millionaire, was the presidential candidate with the most populist rhetoric.

High Flood Walls Lead to Bigger Floods

17. (C) Beluche said that he had only gathered 1,000 of the 60,000 signatures the law required to register a new party. (Note: To form a party, a "party in formation" must collect the signatures of 4 percent of the voter rolls from the last election, in this 2004. Furthermore, those signatures must be collected from individuals who are not already enrolled with an already existing party.) Beluche said that this high bar to registering a new party weakened Panamanian democracy, since it prevented new voices from emerging that could help the system recognize new demands from the people, and new solutions. He argued that this eliminated the threat of a real democratic challenge to the established parties, and that this allowed them to ignore the people and the social reality while they fight for the spoils of power. This would make a catastrophic collapse of the system more likely in the future, Beluche asserted.

Venezuelan Influence

18. (C) Beluche criticized the radical unions FRENADESO and SUNTRACS for rejecting electoral participation and instead engaging in street protests and violence. He also implied that these groups were being financially supported by the Government of Venezuela, while denying that he had received any money from Venezuela. He said that taking money from outside Panama would be unacceptable to nationalistic Panamanian voters. Asked about his attitude towards the U.S., Beluche said he was very critical of many American policies, such as the invasion of Iraq, the promotion of free trade, and hostility to Cuba and Venezuela, but he noted that Panama had always had a special relationship with the U.S., and that anti-Americanism was neither a good campaign tactic in Panama, nor a viable governing strategy. He said Panama would always need to maintain good relations with the U.S., but not subservient relations. He also tempered his hostility to free trade by noting that Panama could not turn its back on the world. He said that in the unlikely event he were to be in power, he would probably press for some nationalizations (e.g, electricity, telephones) and for more protection of agriculture, but not for a radical change of economic course.

Comment

19. (C) Jovane and Beluche are seen by Panama's political elites as extreme radicals, who espouse a Venezuelan-style revolution in Panama. Jovane is in fact a keen observer of Panama's economic, social and political reality, whose ideas are quite within the realm of reason. School lunch programs are widely seen as the best way to tackle hunger, and national agricultural policies are hardly radical ideas. Most of what he suggests falls into the policy line of the present government. At the same time, Beluche's brand of Bolivarianism has been largely depleted of its most radical elements by the economic and political reality of Panama,

which make anti-Americanism and anti-trade agendas unpopular, as they are seen in Panama to be truly dangerous by the majority of voters, and not just by the elites. This alone is a powerful antidote to the spread of Bolivarian ideology in Panama.

STEPHENSON